

2005 DRAFTING REQUEST

Bill

Received: **12/13/2004**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Ziegler**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Shared Revenue**

Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to: **joseph.kreye@legis.state.wi.us**

Pre Topic:

DOA:.....Ziegler, BB0305 -

Topic:

Municipal levy restraint incentive and bonus program

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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/3	jkreye 01/20/2005	kfollett 01/20/2005	jfrantze 01/21/2005	_____	mbarman 01/21/2005		S&L

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1/31 jld 1/31 pr

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Pre Topic:

DOA:.....Ziegler, BB0305 -

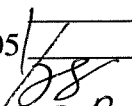
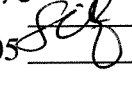
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<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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	01/25/2005	01/26/2005					

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Topic:

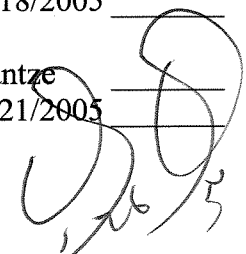
Municipal levy restraint incentive and bonus program

Instructions:

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Vers. Drafted Reviewed Typed Proofed Submitted Jacketed Required

FE Sent For:

<END>

2005 DRAFTING REQUEST

Bill

Received: **12/28/2004**

Received By: **dkennedy**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 266-3420**

By/Representing: **Johnston**

This file may be shown to any legislator: **NO**

Drafter: **dkennedy**

May Contact:

Addl. Drafters: **pkahler**

Subject: **Health - facility licensure
Insurance - miscellaneous**

Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to: **robin.ryan@legis.state.wi.us**

Pre Topic:

DOA:.....Johnston, BB0353 -

Topic:

Hospital regulation

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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Jb 1/20
Jch 1/21

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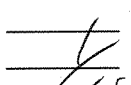
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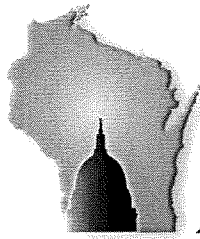
/?	jkreye	11/15/04	12/22/04				
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2005-07 Budget Bill Statutory Language Drafting Request

- Topic: Municipal Levy Restraint Incentive & Bonus
- Tracking Code: BB0305
- SBO team: Education, Workforce and Local Government Team
- SBO analyst: Paul Ziegler
 - Phone: 266-5468
 - Email: paul.ziegler@doa.state.wi.us
- Agency acronym: Shared Revenue and Tax Relief (SR)
- Agency number: 835



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

JAMES E. DOYLE
GOVERNOR

MARC J. MAROTTA
SECRETARY

Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

Date: December 13, 2004

To: Steve Miller, Chief
Legislative Reference Bureau

From: Paul Ziegler, Policy and Budget Analyst
State Budget Office, DOA

Subject: Drafting request for 2005-07 Biennial Budget Bill

Please have the following item drafted for possible inclusion in the 2005-07 biennial budget bill:

Topic:

Municipal Levy Restraint Incentive & Bonus

Drafting Request:

Modify the existing Expenditure Restraint Program under s.20.835 program 1 – shared revenue – to reward municipalities that limit the increases in their levies rather than their general fund budgets. Also, modify the growth component of the allowable increase so that it is based on regional increases in value due to new construction rather than municipal specific value growth. The first payments under this new approach would be in 2007 (FY08).

In addition, create a new program, Municipal Levy Restraint Bonus, to reward municipalities that levy below the maximum allowable levy for payments under the above levy restraint incentive. Each qualifying municipality would receive a share of the amount available for the bonus payments based on its percent of all qualifying municipal levies under their respective limits. The initial funding would be \$10 million. Payments would begin in 2007.

The attached pages give additional detail on how these programs could be drafted.

Please contact me at 266-5468 or by email at paul.ziegler@doa.state.wi.us with any questions.

Thank you.

DRAFT * For Discussion Purposes Only *****
Municipal Levy Restraint Payment Proposal

The following represents my thoughts on what the statutes to implement the proposal might look like.

The definitions in the sections creating the payments are critical. They should be reviewed to ensure that the levies are defined as intended.

Section 1. Section 20.835 (1) (cb) is created to read:

Municipal levy restraint payment. Beginning in 2007, an amount sufficient to make payments to municipalities under s. 79.051 (4).

Section 2. Section 20.835 (1) (cd) is created to read:

Municipal levy restraint bonus payment. Beginning in 2007, an amount sufficient to make payments to municipalities under s. 79.051 (5).

Section 3. Section 79.01 (1) is amended to read:

There is established an account in the general fund entitled the "Expenditure Restraint Program Account." There shall be appropriated to that account \$25,000,000 in 1991, in 1992, and in 1993; \$42,000,000 in 1994; \$48,000,000 in each year beginning in 1995 and ending in 1999; \$57,000,000 in the year 2000 and in the year 2001; \$57,570,000 in 2002; and \$58,145,700 in 2003 ~~and in each year thereafter~~ through 2006.

Section 4. Section 79.01 (1b) is created to read:

There is established an account in the general fund entitled the "Municipal Levy Restraint Program Account." There shall be appropriated to that account \$58,145,700 in 2007 and in each year thereafter.

Section 5. Section 79.01 (1d) is created to read:

There is established an account in the general fund entitled the "Municipal Levy Restraint Bonus Program Account." There shall be appropriated to that account \$10,000,000 in 2007 and in each year thereafter.

Section 6. Section 79.015 is amended to read:

The department of revenue, on or before September 15 of each year, shall provide to each municipality and county a statement of estimated payments to be made in the next calendar year to the municipality or county under ss. 79.03, 79.035, 79.04, 79.05, 79.051, 79.058, and 79.06.

Section 7. Section 79.02 (2) (b) is amended to read:

Subject to ss. 59.605 (4) and 70.995 (14) (b), payments in July shall equal 15% of the municipality's or county's estimated payments under ss. 79.03, 79.035, 79.04, 79.058,

and 79.06 and 100% of the municipality's estimated payments under s. 79.05, and 79.051.

Section 8. Section 79.043 (5) is amended to read:
Except as provided under s. 79.02 (3) (c), for the distribution in 2005 and subsequent years, each ~~county and~~ municipality shall receive a payment under this section and s. 79.035 that is equal to the amount of the payment determined for the ~~county or~~ municipality under this section and s. 79.035 in 2004. *leave alone*

Section 9. Section 79.05 (7) is created to read:
(7) Beginning in 2007, except for corrections under s. 79.08, no payments may be made under this section.

Section 10. Section 79.051 is created to read:
79.051 Municipal levy restraint program.

(1) In this section:

(a) "Inflation factor" means a percentage equal to the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor, for the 12 months ending on September 30 of the year before the statement under s. 79.015.

(b) "Maximum allowable levy" means the municipal tax levy for the year before the statement under s. 79.015, as adjusted under sub. (6), multiplied by the sum of 1 plus the inflation factor plus the valuation factor, rounded to the nearest 0.01%.

(c) "Municipal tax levy" means the amount reported as total town, village, or city taxes levied on the statement of taxes filed with the department of revenue ~~excluding the~~ incremental levy for municipal tax incremental financing districts and excluding the incremental levy for county environmental tax financing districts. *under s. 73.10*

(d) "Municipal tax rate" means the municipal tax levy divided by the taxable value.

(e) "Region" means the sub-area of the state to which a municipality is assigned under sub. (7).

(f) "Taxable value" means the value determined under s. 70.57 excluding the value of tax increments under s. 66.1105.

(g) "Valuation factor" means a percentage equal to 60% of the percentage change in the region's equalized value due to new construction less improvements removed between the year before the statement under s. 79.015 and the previous year, but not less than zero nor greater than 2. *see 79.05 (1)(d)*

(2) A municipality is eligible for a payment under sub. (4) if it fulfills all of the following requirements:

(a) Its municipal tax rate for the year before the statement under s. 79.015 is greater than 5 mills.

(b) Its municipal tax levy for the year of the statement under s. 79.015 is equal to or less than its maximum allowable levy.

(3) Annually, on November 1, the department of revenue shall certify the appropriate percentage change in the consumer price index that is to be used in the requirement under sub. (1) (a) to the joint committee on finance.

(4) Each municipality that qualifies under sub. (2) shall receive a payment calculated as follows:

- (a) Subtract 5 mills from the municipality's municipal tax rate.
- (b) Multiply the amount under par. (a) by the municipality's taxable value.
- (c) Divide the amount under par. (b) by the total of the amounts under par. (b) for all municipalities that qualify.
- (d) Multiply the amount under par. (c) by the amount for the year under s. 79.01 (1b).

(5) Each municipality that qualifies under sub. (2) shall receive a payment calculated as follows:

- (a) Subtract the municipal tax levy from the maximum allowable levy.
- (b) Divide the amount under par. (a) by the total of the amounts under par. (a) for all municipalities that qualify.
- (c) Multiply the amount under par. (c) by the amount for the year under s. 79.01 (1d).

(6) (a) If a municipality transfers to another governmental unit responsibility for providing any service that the municipality provided in the preceding year, its levy for the preceding year shall be decreased to reflect the cost that amount levied by the municipality to provide that service, as determined by the department of revenue.

(b) If a municipality increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit in any year, its levy for the preceding year shall be increased to reflect the levy needed to support that service, as determined by the department of revenue.

(c) If a municipality's distribution under s. 79.043 (5) is decreased, its levy for the preceding year shall be increased to reflect the reduction in the distribution.

(7) For purposes of this payment, the municipalities of this state are assigned to regions based on the county in which the municipality, or for a municipality in two or more counties the county with the largest taxable value, lies. Counties are assigned to the following regions:

(a) Region 1: Brown, Door, Florence, Kewaunee, Manitowoc, Marinette, Oconto, and Sheboygan.

(b) Region 2: Calumet, Fond du Lac, Green Lake, Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and Winnebago.

(c) Region 3: Buffalo, Crawford, Jackson, La Crosse, Monroe, Pepin, Pierce, Trempealeau, and Vernon.

(d) Region 4: Adams, Forest, Juneau, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas, and Wood/

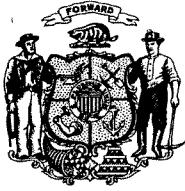
(e) Region 5: Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

(f) Region 6: Columbia, Dane, Dodge, Jefferson, Rock, and Sauk.

(g) Region 7: Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, and Waukesha.

(h) Region 8: Grant, Green, Iowa, Lafayette, and Richland.

(i) Region 9: Barron, Chippewa, Clark, Dunn, Eau Claire, Polk, and St. Croix. .



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1229/1

JK: [signature]

12/23

DOA:.....Ziegler, BB0305 - Municipal levy restraint incentive and bonus program

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

in 12-14-04

D-N

Do Not Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

* Under current law, the expenditure restraint program provides an annual state aid payment to any municipality that has a property tax rate greater than 5 mills and that limits the growth of its municipal budget according to a formula based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the municipality and on the rate of inflation.

* This bill eliminates the expenditure restraint program and replaces it with the municipal levy restraint program. The municipal levy restraint program provides annual state aid payments, beginning in 2007, to any municipality that has a property tax rate greater than 5 mills and that limits its property tax levy to an amount that is no greater than the maximum allowable levy according to a formula that is based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and on the rate of inflation. For purposes of determining the eligibility for and the amount of the payments under the program, each municipality is assigned to a region based on the county in which the municipality is located and each region consists of several counties.

five

five

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

✓
1 **SECTION 1.** 20.835 (1) (c) of the statutes is amended to read:

2 20.835 (1) (c) *Expenditure restraint program account.* A sum sufficient to make
3 the payments under s. 79.05. No moneys may be encumbered or expended from this
4 appropriation after December 31, 2006.

History: 1971 c. 125 ss. 192 to 195, 521; 1971 c. 215; 1973 c. 90, 158, 333; 1975 c. 39; 1975 c. 372 s. 41; 1975 c. 424; 1977 c. 29, 31, 313, 418, 447; 1979 c. 34 ss. 637m to 643m, 2102 (46) (d); 1979 c. 221; 1979 c. 329 s. 25 (1); 1979 c. 350 s. 27 (1); 1981 c. 1, 20, 93, 317; 1983 a. 2 ss. 1, 12; 1983 a. 27 ss. 489m, 490m, 2202 (45); 1985 a. 29, 41, 205; 1987 a. 27 ss. 473 to 474r, 476; 1987 a. 92; 1987 a. 312 s. 17; 1987 a. 323, 328, 399, 411, 422; 1989 a. 31 ss. 551 to 557m, 564m; 1989 a. 56 s. 259; 1989 a. 336; 1991 a. 37; 1991 a. 39 ss. 250m, 653m to 659m; 1991 a. 225, 269; 1993 a. 16, 263; 1995 a. 27, 56, 209, 417; 1997 a. 27, 237; 1999 a. 5, 9, 10; 1999 a. 150 s. 672; 1999 a. 167; 2001 a. 16, 105, 109; 2003 a. 31, 33, 320.

5 **SECTION 2.** 20.835 (1) (cb) of the statutes is created to read:

6 20.835 (1) (cb) *Municipal levy restraint payment account.* Beginning in 2007,
7 a sum sufficient to make the payments to municipalities under s. 79.051 (4) (a).
→ note: bud

8 **SECTION 3.** 20.835 (1) (cd) of the statutes is created to read:

9 20.835 (1) (cd) *Municipal levy restraint bonus payment account.* Beginning in
10 2007, a sum sufficient to make the payments to municipalities under s. 79.051 (4) (b).
→ note: bud

11 **SECTION 4.** 79.01 (1) of the statutes is amended to read:

12 79.01 (1) There is established an account in the general fund entitled the
13 “Expenditure Restraint Program Account.” There shall be appropriated to that
14 account \$25,000,000 in 1991, in 1992, and in 1993; \$42,000,000 in 1994; \$48,000,000
15 in each year beginning in 1995 and ending in 1999; \$57,000,000 in the year 2000 and
16 in the year 2001; \$57,570,000 in 2002; and \$58,145,700 in 2003 and in each year
17 thereafter, ending in 2006.

History: 1971 c. 125; 1973 c. 90; 1973 c. 243 s. 82; 1973 c. 283, 336; 1975 c. 39; 1977 c. 29, 203; 1979 c. 221; 1989 a. 336; 1993 a. 16, 437; 1999 a. 9; 2001 a. 16, 109; 2003 a. 31.

18 **SECTION 5.** 79.01 (5b) of the statutes is created to read:

1 79.01 (5b) There is established an account in the general fund entitled the
2 “Municipal Levy Restraint Payment Account.” There shall be appropriated to that
3 account \$58,145,700 in 2007 and in each year thereafter.

4 **SECTION 6.** 79.01 (6b) of the statutes is created to read:

5 79.01 (6b) There is established an account in the general fund entitled the
6 “Municipal Levy Restraint Bonus Payment Account.” There shall be appropriated
7 to that account \$10,000,000 in 2007 and in each year thereafter.

8 **SECTION 7.** 79.015 of the statutes is amended to read:

9 **79.015 Statement of estimated payments.** The department of revenue, on
10 or before September 15 of each year, shall provide to each municipality and county
11 a statement of estimated payments to be made in the next calendar year to the
12 municipality or county under ss. 79.03, 79.035, 79.04, 79.05, 79.051, 79.058, and
13 79.06.

14 ^{History:} 1981 c. 20, 61, 93; 1983 a. 27 ss. 1294, 2202 (45); ~~1985 a. 29~~; 1987 a. 27; 1989 a. 336; 1993 a. 16; 2001 a. 109; 2003 a. 33.

14 **SECTION 8.** 79.02 (2) (b) of the statutes is amended to read:

15 79.02 (2) (b) Subject to ss. 59.605 (4) and 70.995 (14) (b), payments in July shall
16 equal ~~45%~~ 15 percent of the municipality's or county's estimated payments under ss.
17 79.03, 79.035, 79.04, 79.058, and 79.06 and ~~100%~~ 100 percent of the municipality's
18 estimated payments under ~~s. ss.~~ ss. 79.05 and 79.051.

19 ^{History:} 1983 a. 27; 1985 a. 29 ss. 1505p, 1505t, 3202 (46); ~~1985 a. 120~~; 1987 a. 27; 1989 a. 336; 1991 a. 307; 1993 a. 16; 1999 a. 150 s. 672; 2001 a. 109; 2003 a. 33, 170,
320.

19 **SECTION 9.** 79.035 (2) (b) of the statutes is created to read:

20 79.035 (2) (b) Except as provided under s. 79.02 (3) (e), for the distribution in
21 2005 and subsequent years, each county shall receive a payment under this section
22 that is equal to the amount of the payment determined for the county under this
23 section in 2004.

24 **SECTION 10.** 79.043 (5) of the statutes is amended to read:

1 79.043 (5) Except as provided under s. 79.02 (3) (e), for the distribution in 2005
2 and subsequent years, each ~~county~~[✓] and municipality shall receive a payment under
3 this section and s. 79.035 that is equal to the amount of the payment determined for
4 the ~~county~~[✓] or municipality under this section and s. 79.035 in 2004.

History: 2003 a. 33, 164 ss. 2 to 6.

5 **SECTION 11.** 79.05 (7) of the statutes is created to read:

6 79.05 (7) Beginning in 2007, no municipality may receive a payment under this
7 section.[✓]

8 **SECTION 12.** 79.051 of the statutes is created to read:

9 **79.051 Municipal levy restraint program. (1) DEFINITIONS.** In this section:[✓]

10 (a) "Inflation factor" means a percentage equal to the average annual
11 percentage change in the U.S. consumer price index for all urban consumers, U.S.
12 city average, as determined by the U.S. department of labor, for the 12 months
13 ending on September 30 of the year before the statement under s. 79.015.

14 (b) "Maximum allowable levy" means the municipal tax levy for the year before
15 the statement under s. 79.015, as adjusted under sub. (5), multiplied by the sum of
16 ^{one} (1) plus the inflation factor and the valuation factor, rounded to the nearest 0.01
17 percent.

18 (c) "Municipal tax levy" means the amounts reported as the total taxes levied
19 for each town, village, or city on the statement of taxes filed with the department of
20 revenue under s. 73.10[✓], not including the incremental levy for municipal tax
21 incremental financing districts and the incremental levy for county environmental
22 tax financing districts.

23 (d) "Municipal tax rate" means the municipal tax levy divided by the taxable
24 value.

1 (e) "Region" means any of the following areas to which a municipality is
2 assigned, for purposes of determining the eligibility for and the amount of the
3 payments under this subsection, according to the county in which the municipality
4 is located, except that if the municipality is located in more than ^{one} 1 county, the
5 municipality is considered, for purposes of determining the eligibility for and the
6 amount of the payments under this subsection, to be located in the county that has
7 the greater taxable value:

8 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
9 Manitowoc, Marinette, Oconto, and Sheboygan.

10 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
11 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
12 Winnebago.

13 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
14 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

15 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
16 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

17 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
18 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

19 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
20 Rock, and Sauk.

21 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
22 Racine, Walworth, Washington, and Waukesha.

23 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
24 Richland.

1 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
2 Claire, Polk, and St. Croix.

3 (f) "Taxable value" means, for a municipality, the equalized assessed value of
4 all property located in the municipality, as determined under s. 70.57[✓], excluding the
5 value of any tax increments under s. 66.1105[✓], and, for a county, the equalized
6 assessed value of all property located in the county, as determined under s. 70.57[✓],
7 excluding the value of any tax increments under s. 66.1105[✓].

8 (g) "Valuation factor" means a percentage equal to 60 percent of the percentage
9 change in the region's equalized value under s. 70.57[✓] due to new construction less
10 improvements removed between the year before the statement under s. 79.015[✓] and
11 the previous year, but not less than zero nor greater than 2.

12 (2) ELIGIBILITY. A municipality is eligible to receive a payment under sub. (4)
13 if it fulfills all of the following requirements:

14 (a) The municipality's municipal tax rate for the year before the statement
15 under s. 79.015[✓] is greater than 5 mills.

16 (b) The municipality's municipal tax levy for the year of the statement under
17 s. 79.015[✓] is no greater than the municipality's maximum allowable levy.

18 (3) CONSUMER PRICE INDEX. Annually, on November 1, the department of
19 revenue shall certify to the joint committee on finance the appropriate percentage
20 change in the consumer price index that is to be used to determine the inflation
21 factor.

22 (4) PAYMENTS. (a) Beginning in 2007, each municipality that is eligible under
23 sub. (2)[✓] shall receive a payment calculated by the department of revenue as follows:

24 1. Subtract 5 mills from the municipality's municipal tax rate.

1 2. Multiply the amount determined under subd. 1. by the municipality's
2 taxable value.

3 3. Divide the amount determined under subd. 2. by the total of the amounts
4 under subd. 2. for all municipalities that are eligible for a payment under sub. (2).

5 4. Multiply the amount determined under subd. 3. by \$58,145,700.

6 (b) Each municipality that is eligible under sub. (2) shall receive an additional
7 payment calculated by the department of revenue as follows:

8 1. Subtract the municipal tax levy, as determined under par. (a) 1., from
9 the municipality's maximum allowable levy.

10 2. Divide the amount determined under subd. 1. by the total of the amounts
11 under subd. 1. for all municipalities that are eligible for a payment under sub. (2).

12 3. Multiply the amount determined under subd. 2. by \$10,000,000.

13 (5) ADJUSTMENTS. For purposes of determining eligibility for and the amount
14 of the payments under this section:

15 (a) If a municipality transfers to another governmental unit responsibility for
16 providing any service that the municipality provided in the preceding year, its
17 municipal tax levy for the preceding year shall be decreased to reflect the amount
18 that the municipality levied to provide that service, as determined by the department
19 of revenue.

20 (b) If a municipality increases the services that it provides by adding
21 responsibility for providing a service transferred to it from another governmental
22 unit in any year, its municipal tax levy for the preceding year shall be increased to
23 reflect the cost of that service, as determined by the department of revenue.

24 (c) If in any year a municipality's distribution under sub. (4) (b) is less than the
25 municipality's distribution under sub. (4) (b) in the previous year, the municipality's

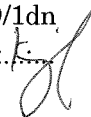
1 municipal tax levy for the preceding year shall be increased to reflect the reduction
2 in the distribution.

3 (END)

D-Note

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1229/1dn

JK: 

Date

Paul:

Please review this draft carefully to ensure that it is consistent with your intent.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1229/1dn
JK:kjfrs

December 22, 2004

Paul:

Please review this draft carefully to ensure that it is consistent with your intent.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.state.wi.us



State of Wisconsin
2005 - 2006 LEGISLATURE

1/18 or
1/19

LRB-1229/4

JK:kjf

PMR

DOA:.....Ziegler, BB0305 - Municipal levy restraint incentive and bonus program

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

in 1-18-05

Do Not
Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

Under current law, the Expenditure Restraint Program provides an annual state aid payment to any municipality that has a property tax rate greater than five mills and that limits the growth of its municipal budget according to a formula based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the municipality and on the rate of inflation.

This bill eliminates the Expenditure Restraint Program and replaces it with the Municipal Levy Restraint Program. The Municipal Levy Restraint Program provides annual state aid payments, beginning in 2007, to any municipality that has a property tax rate greater than five mills and that limits its property tax levy to an amount that is no greater than the maximum allowable levy according to a formula that is based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and on the rate of inflation. For purposes of determining the eligibility for and the amount of the payments under the program, each municipality is assigned to a region based on the county in which the municipality is located and each region consists of several counties.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.835 (1) (c) of the statutes is amended to read:

2 20.835 (1) (c) *Expenditure restraint program account.* A sum sufficient to make
3 the payments under s. 79.05. No moneys may be encumbered or expended from this
4 appropriation after December 31, 2006.

5 **SECTION 2.** 20.835 (1) (cb) of the statutes is created to read:

6 20.835 (1) (cb) *Municipal levy restraint payment account.* Beginning in 2007,
7 a sum sufficient to make the payments to municipalities under s. 79.051 (4) (a).

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

8 **SECTION 3.** 20.835 (1) (cd) of the statutes is created to read:

9 20.835 (1) (cd) *Municipal levy restraint bonus payment account.* Beginning in
10 2007, a sum sufficient to make the payments to municipalities under s. 79.051 (4) (b).

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

11 **SECTION 4.** 79.01 (1) of the statutes is amended to read:

12 79.01 (1) There is established an account in the general fund entitled the
13 “Expenditure Restraint Program Account.” There shall be appropriated to that
14 account \$25,000,000 in 1991, in 1992, and in 1993; \$42,000,000 in 1994; \$48,000,000
15 in each year beginning in 1995 and ending in 1999; \$57,000,000 in the year 2000 and
16 in the year 2001; \$57,570,000 in 2002; and \$58,145,700 in 2003 and in each year
17 thereafter, ending in 2006.

18 **SECTION 5.** 79.01 (5b) of the statutes is created to read:

1 79.01 (5b) There is established an account in the general fund entitled the
2 “Municipal Levy Restraint Payment Account.” There shall be appropriated to that
3 account \$58,145,700 in 2007 and in each year thereafter.

4 **SECTION 6.** 79.01 (6b) of the statutes is created to read:

5 79.01 (6b) There is established an account in the general fund entitled the
6 “Municipal Levy Restraint Bonus Payment Account.” There shall be appropriated
7 to that account \$10,000,000 in 2007 and in each year thereafter.

8 **SECTION 7.** 79.015 of the statutes is amended to read:

9 **79.015 Statement of estimated payments.** The department of revenue, on
10 or before September 15 of each year, shall provide to each municipality and county
11 a statement of estimated payments to be made in the next calendar year to the
12 municipality or county under ss. 79.03, 79.035, 79.04, 79.05, 79.051, 79.058, and
13 79.06.

14 **SECTION 8.** 79.02 (2) (b) of the statutes is amended to read:

15 79.02 (2) (b) Subject to ss. 59.605 (4) and 70.995 (14) (b), payments in July shall
16 equal ~~15%~~ 15 percent of the municipality’s or county’s estimated payments under ss.
17 79.03, 79.035, 79.04, 79.058, and 79.06 and ~~100%~~ 100 percent of the municipality’s
18 estimated payments under ~~s. ss.~~ ss. 79.05 and 79.051.

19 **SECTION 9.** 79.035 (2) (b) of the statutes is created to read:

20 79.035 (2) (b) Except as provided under s. 79.02 (3) (e), for the distribution in
21 2005 and subsequent years, each county shall receive a payment under this section
22 that is equal to the amount of the payment determined for the county under this
23 section in 2004.

24 **SECTION 10.** 79.043 (5) of the statutes is amended to read:

Sec #, 79.035(2)(c)
(INSERT 7-24)

1 79.043 (5) Except as provided under s. 79.02 (3) (e), for the distribution in 2005
2 and subsequent years, each ~~county and~~ municipality shall receive a payment under
3 this section and s. 79.035 that is equal to the amount of the payment determined for
4 the ~~county or~~ municipality under this section and s. 79.035 in 2004.

5 SECTION ~~12~~ 79.05 (7) of the statutes is created to read:

6 79.05 (7) Beginning in 2007, no municipality may receive a payment under this
7 section.

8 SECTION ~~12~~ 79.051 of the statutes is created to read:

9 **79.051 Municipal levy restraint program. (1) DEFINITIONS.** In this section:

10 (a) “Inflation factor” means a percentage equal to the average annual
11 percentage change in the U.S. consumer price index for all urban consumers, U.S.
12 city average, as determined by the U.S. department of labor, for the 12 months
13 ending on September 30 of the year before the statement under s. 79.015.

14 (b) “Maximum allowable levy” means the municipal tax levy for the year before
15 the statement under s. 79.015, as adjusted under sub. (5), multiplied by the sum of
16 one plus the inflation factor and the valuation factor, rounded to the nearest 0.01
17 percent.

18 (c) “Municipal tax levy” means the amounts reported as the total taxes levied
19 for each town, village, or city on the statement of taxes filed with the department of
20 revenue under s. 73.10, not including the incremental levy for municipal tax
21 incremental financing districts and the incremental levy for county environmental
22 tax financing districts.

23 (d) “Municipal tax rate” means the municipal tax levy divided by the taxable
24 value.

1 (e) “Region” means any of the following areas to which a municipality is
2 assigned, for purposes of determining the eligibility for and the amount of the
3 payments under this subsection, according to the county in which the municipality
4 is located, except that if the municipality is located in more than one county, the
5 municipality is considered, for purposes of determining the eligibility for and the
6 amount of the payments under this subsection, to be located in the county that has
7 the greater taxable value:

8 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
9 Manitowoc, Marinette, Oconto, and Sheboygan.

10 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
11 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
12 Winnebago.

13 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
14 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

15 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
16 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

17 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
18 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

19 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
20 Rock, and Sauk.

21 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
22 Racine, Walworth, Washington, and Waukesha.

23 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
24 Richland.

1 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
2 Claire, Polk, and St. Croix.

3 (f) “Taxable value” means, for a municipality, the equalized assessed value of
4 all property located in the municipality, as determined under s. 70.57, excluding the
5 value of any tax increments under s. 66.1105, and, for a county, the equalized
6 assessed value of all property located in the county, as determined under s. 70.57,
7 excluding the value of any tax increments under s. 66.1105.

8 (g) “Valuation factor” means a percentage equal to 60 percent of the percentage
9 change in the region’s equalized value under s. 70.57 due to new construction less
10 improvements removed between the year before the statement under s. 79.015 and
11 the previous year, but not less than zero nor greater than 2.

12 **(2) ELIGIBILITY.** A municipality is eligible to receive a payment under sub. (4)
13 if it fulfills all of the following requirements:

14 (a) The municipality’s municipal tax rate for the year before the statement
15 under s. 79.015 is greater than 5 mills.

16 (b) The municipality’s municipal tax levy for the year of the statement under
17 s. 79.015 is no greater than the municipality’s maximum allowable levy.

18 **(3) CONSUMER PRICE INDEX.** Annually, on November 1, the department of
19 revenue shall certify to the joint committee on finance the appropriate percentage
20 change in the consumer price index that is to be used to determine the inflation
21 factor.

22 **(4) PAYMENTS.** (a) Beginning in 2007, each municipality that is eligible under
23 sub. (2) shall receive a payment calculated by the department of revenue as follows:

24 1. Subtract 5 mills from the municipality’s municipal tax rate.

2. Multiply the amount determined under subd. 1. by the municipality's taxable value.

3. Divide the amount determined under subd. 2. by the total of the amounts under subd. 2. for all municipalities that are eligible for a payment under sub. (2).

4. Multiply the amount determined under subd. 3. by \$58,145,700.

(b) Each municipality that is eligible under sub. (2) shall receive an additional payment calculated by the department of revenue as follows:

1. Subtract the municipal tax levy, as determined under par. (a) 1., from the municipality's maximum allowable levy.

2. Divide the amount determined under subd. 1. by the total of the amounts under subd. 1. for all municipalities that are eligible for a payment under sub. (2).

3. Multiply the amount determined under subd. 2. by \$10,000,000.

(5) ADJUSTMENTS. For purposes of determining eligibility for and the amount of the payments under this section:

(a) If a municipality transfers to another governmental unit responsibility for providing any service that the municipality provided in the preceding year, its municipal tax levy for the preceding year shall be decreased to reflect the amount that the municipality levied to provide that service, as determined by the department of revenue.

(b) If a municipality increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit in any year, its municipal tax levy for the preceding year shall be increased to reflect the cost of that service, as determined by the department of revenue.

79.035(2)(c) If in any year a municipality's distribution under ~~sub. (4)(b)~~ is less than the municipality's distribution under ~~sub. (4)(b)~~ in the previous year, the municipality's

For the distribution in 2005 and subsequent years,

INSERT
7-24

move
p. 3

SECTION 12

1 municipal tax levy for the preceding year shall be increased to reflect the reduction
2 in the distribution.

(END)

NOTE

20 January 2005

To: Audra Brennan, Dennis Collier

From: Daniel Huegel

Subject: Comments on LRB-1229/2 (Municipal Levy Restraint Payment)

I have the following comments on the draft:

Section 9 (Page 3, Lines 19 to 23) should be eliminated. This language affects counties. The language would freeze the distribution to counties under the county and municipal aid program. This is not consistent with our intent.

Section 10 (Page 3, Line 24 to Page 4, Line 5) should be eliminated. The adjustment to the tax levy is for purposes of the proposed payment only. The language does not achieve our intent (which is discussed in the last section of this note).

Section 11 (Page 4, Lines 6 to 10) should be eliminated. The language freezes the distribution to municipalities under the county and municipal aid program. This is not consistent with our intent. Our intent was that, for purposes of the municipal levy restraint payment, that municipalities be held "harmless" if the state reduces payments under the county and municipal aid program. (In effect, a municipality would be allowed to increase its levy to reflect any decrease in county and municipal aid with no effect on their eligibility for the proposed municipal levy restraint payment.)

For purposes of the proposed payment, in order to have municipalities held "harmless" for reductions in their county and municipal aid payments, the following language should be added after Page 8, Line 2:

(c) If in any year a municipality's distribution under s. 79.043 (5) is less than the municipality's distribution under s. 79.043 (5) in the previous year, the municipality's maximum allowable levy shall be increased to reflect the reduction in the distribution.

If you have any questions on these concerns, please e-mail or call me.